

Message Text

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SUBJ: REQUEST FOR INFORMATION ON GOM RUBBER FOOTWEAR INDUSTRY

REF: USDOC 10463

SUMMARY

THERE ARE 30 FIRMS ENGAGED IN THE MANUFACTURING OF RUBBER AND CANVAS FOOTWEAR. GOM WILL CONTINUE TO PROVIDE A VARIETY OF FISCAL INCENTIVES TO ENCOURAGE THE GROWTH OF THIS LABOR INTENSIVE INDUSTRY. IN 1976, MALAYSIA'S EXPORTS OF ALL TYPES OF FOOTWEAR AMOUNTED TO U.S.\$23.0 MILLION, OUT OF WHICH U.S.\$10.0 MILLION WERE FROM RUBBER AND CANVAS FOOTWEAR. END OF SUMMARY.

1. ACCORDING TO THE FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY, A GOVERNMENT AGENCY AND COORDINATING INDUSTRIAL DEVELOPMENT IN MALAYSIA, THERE ARE ALTOGETHER 30 FIRMS IN MALAYSIA ENGAGED IN THE MANUFACTURING OF RUBBER AND CANVAS FOOTWEAR. BATA OF CANADA, VIKING ASKIM OF NORWAY AND C.J. COLES OF AUSTRALIA ARE THE ONLY THREE FOREIGN MANUFACTURERS WHO HAVE INTERESTS IN THE MALAYSIAN RUBBER AND CANVAS FOOTWEAR INDUSTRY. BATA BERHAD, WHICH IS A PUBLIC COMPANY, MANUFACTURES CANVAS, RUBBER, PLASTIC AND LEATHER FOOTWEAR FOR BOTH THE DOMESTIC AND EXPORT MARKETS. VIKING ASKIM MANUFACTURES RUBBER FOOTWEAR FOR EXPORT ONLY. MARCO SHOE, WHICH IS A JOINT VENTURE BETWEEN MALAYSIAN AND C. J. COLES, MANUFACTURES CANVAS SHOES FOR EXPORT AND FOR DOMESTIC MARKET, ITALASIA, WHICH IS A JOINT VENTURE

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BETWEEN MALAYSIAN AND EFFE GROUP OF ITALY, IS THE FIRST LADIES' SHOE (LEATHER) MANUFACTURING CONCERN IN MALAYSIA.

2. ACCORDING TO MARKET SOURCES, THERE ARE ABOUT 8,000 PRODUCTION WORKERS IN THE RUBBER AND CANVAS FOOTWEAR INDUSTRY.

3. AVERAGE HOURLY WAGE FOR PRODUCTION WORKERS IS ABOUT 25 U.S. CENTS.

4. MALAYSIA OFFER ATTRACTIVE INCENTIVE TO BOTH FOREIGN AND LOCAL INVESTORS WHO MAKE INVESTMENTS CONSISTENT WITH THE GOM'S INDUSTRIALIZATION PROGRAM. THESE INCENTIVES ARE DESIGNED TO PROVIDE TOTAL OR PARTIAL RELIEF FROM THE PAYMENT OF INCOME AND DEVELOPMENT TAX TO COMPANIES INVESTING IN NEW ENTERPRISES OR EXPANDING SELECTED EXISTING ONES. SEVERAL RUBBER AND CANVAS SHOE MANUFACTURING COMPANIES WERE GRANTED PIONEER STATUS AND SEVERAL OTHERS WERE GRANTED INVESTMENT TAX CREDITS BY GOM. INCENTIVES FOR A PIONEER STATUS COMPANY ARE GIVEN IN THE FORM OF TOTAL EXEMPTION FROM INCOME TAX AND DEVELOPMENT TAX RANGING FROM 2 TO 5 YEARS DEPENDING ON THE LEVEL OF FIXED CAPITAL INVESTMENT. INVESTMENT TAX CREDITS GIVEN WILL NOT BE LESS THAN 25 PERCENT OF THE TOTAL CAPITAL EXPENDITURE INCURRED BY THE PROJECT. BESIDES, THERE ARE THREE KINDS OF EXPORT INCENTIVES DESIGNED FOR COMPANIES MANUFACTURING MAINLY FOR EXPORT MARKETS:

(A) AN EXPORT ALLOWANCE PROVIDES FOR A TAX DEDUCTION FROM INCOME EQUIVALENT TO 5 CENTS FOR EVERY DOLLAR OF THE INCREASE IN THE EXPORT SALES OF THE COMPANY OVER ITS AVERAGE ANNUAL SALES IN THE IMMEDIATELY PRECEDING YEARS. THE ALLOWANCE IS INCREASED TO 8 CENTS FOR EVERY DOLLAR WHERE THE PRODUCTS UTILIZES AT LEAST 50 PERCENT, BY VALUE, OF LOCAL RAW MATERIALS AND COMPONENTS. THIS INCENTIVE ALSO PROVIDES THE CALCULATION OF ALLOWANCES FOR THOSE FIRMS WITH NO EXPORT SALES IN THE PRECEDING YEARS OR WITH EXPORT EXPERIENCE ONLY IN ONE TO FOUR PRECEDING YEARS.

(B) ALLOWANCE OF 40 PERCENT PER ANNUM (IN ADDITION TO THE INITIAL 20 UNCLASSIFIED

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PERCENT) IS GRANTED TO COMPANIES EXPORTING 20 PERCENT (BY VALUE) OF THEIR TOTAL PRODUCTION AND WHEN INCURRING QUALIFYING PLANT EXPENDITURE FOR MODERNISING PRODUCTION TECHNIQUES OR SETTING UP A MODERNIZED FACTORY.

(C) DEDUCTIONS ARE ALLOWED FOR EXPENSES INCURRED FOR THE PURPOSE OF SEEKING OPPORTUNITIES FOR THE EXPORT OF PRODUCTS MANUFACTURED IN MALAYSIA. PIONEER COMPANIES HAVE A SPECIAL PRIVILEGE -ALL QUALIFYING EXPENSES WHICH WOULD HAVE BEEN ALLOWED AND WERE INCURRED DURING A PIONEER COMPANY'S TAX RELIEF PERIOD CAN BE CARRIED FORWARD AND ALLOWED AS A DEDUCTION IN THE POST PIONEER PERIOD.

5. TECHNOLOGICAL DEVELOPMENTS AND MANUFACTURING PROCESSES FOR THE RUBBER AND CANVA SHOE INDUSTRY ARE ADOPTED FROM TECHNOLOGY DEVELOPED IN THE DEVELOPED COUNTRIES. SHOE MANUFACTURING EQUIPMENT IS USUALLY IMPORTED FROM JAPAN, TAIWAN AND THE EEC COUNTRIES.

6. IN 1976, MALAYSIA'S EXPORTS OF RUBBER AND CANVAS FOOTWEAR AMOUNTED TO U.S.\$10.0 MILLION. TOTAL PRODUCTION OF RUBBER AND CANVAS FOOTWEAR IN MALAYSIA IN 1976 WAS ESTIMATED AT U.S.\$25.0 MILLION. CURRENT TRENDS INDICATE PRODUCTION FIGURES AND EXPORT

FIGURES OF U.S.\$30.0 MILLION AND U.S.\$12.1 MILLION, RESPECTIVELY,
IN 1980, REFLECTING AN AVERAGE ANNUAL GROWTH OF 5.0 PERCENT IN
EXPORTS AND PRODUCTION.
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